PREPARED BY: DATE PREPARED: PHONE: Austin Ligenza February 3, 2021 (402)471-0050

LB 674

Revision: 01

FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

Revised to include the Department of Insurance's estimate.

ESTIMATE OF FISCAL IMPACT - STATE AGENCIES (See narrative for political subdivision estimates)							
	FY 202	1-22	FY 2022-23				
_	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE			
GENERAL FUNDS	\$2,000	(\$1,000,000)		(\$1,000,000)			
CASH FUNDS							
FEDERAL FUNDS							
OTHER FUNDS							
TOTAL FUNDS	\$2,000	(\$1,000,000)	_	(\$1,000,000)			

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 674 amends various sections relating to the Affordable Housing Tax Credit Act. The changes made are to apply to taxable years beginning on or after January 1, 2020.

LB 674 requires owners of qualified projects to be partners, members, or shareholders on or before the claiming of the tax credit.

LB 674 expands the eligible premium and retaliatory taxes that can be offset by the Affordable Housing Tax Credit to include those under 81-523.

Revenue:

The Department of Revenue estimates no revenue loss to the Department of Revenue as a result of LB 674.

As LB 674 allows insurance companies to use the Affordable Housing Tax Credit against their fire tax liability, the Department of Insurance expects LB 674 to create a General Fund revenue loss of \$1,000,000 in each year of the biennium. There is no basis to disagree with this estimate.

There is no basis to disagree with these estimates.

Expenditures:

The Department of Revenue estimates no cost to implement LB 674.

The Department of Insurance estimates the need for a Temporary Tax Clerk to help process the tax returns impacted by LB 674.

There is no basis to disagree with these estimates.

Please complete	<u>ALL</u> (5) b	lanks in the first thre	e lines.			2021
LB ⁽¹⁾ 674						FISCAL NOTE
State Agency OR I	Political Su	ıbdivision Name: (2)	Insurance			
Prepared by: (3)	Thoma	s Green	Date Prepared: (4)	2/4/2021	Phone: (5)	402-471-4650
	ES	STIMATE PROVID	ED BY STATE AGENC	Y OR POLITIC	AL SUBDIVISIO	ON
		FY 2 EXPENDITURES	2021-22 BEVENUE	EXPEND	FY 2022-	
GENERAL FUN	DS	\$2,000	<u>REVENUE</u> -\$1,000,000	EAFEND	TIUKES	<u>REVENUE</u> \$1,000,000
CASH FUNDS						
FEDERAL FUNI	DS					
OTHER FUNDS	}					
TOTAL FUNDS		\$2000	\$1,000,000			-\$1,000,000
Explanation of E	stimate:					
computations bill allows the ta	y allowir ax credit	ng it to be applied s to be applied to	ble Housing Tax Cred toward fire tax liability the 2020 premium tax I result in a reduction	r including retal creturn, which	iatory tax liabili is due on Marc	ty. Additionally, the
received from edifficult becaus apply toward fincompany atternapplication). B	every ins e the exa re tax lial apted to a ased on	urer that opts to ta act amount will va pility. The Departi apply AHTC credit that request, the	fire tax liability will resake the new deduction ry depending on the a ment of Insurance DC is of approximately \$4 expected growth in the prowth of other tax cre	n. Estimating the Amount of the All did receive on 00,000 to fire the AHTC progra	ne amount of loud that each that each that each that return during ax liability (the mas it continus).	ost revenues is insurer wishes to uring 2019 where a DOI rejected this es to age and

they aged and awareness increased, the DOI estimates that if LB 674 is enacted into law, the total value of the credit used would be around \$1,000,000 for each of FY 2021-22 and FY 2022-23. Because this is a tax credit, that would mean there would be a corresponding reduction in tax revenues received of the same amounts, \$1,000,000 in both FY 2021-22 and FY 2022-23.

Because 2020 premium tax forms have already been finalized, and because LB 274 is retroactive to taxes due for 2020, the online portal, OPTIns will not be available to parties claiming a tax credit under LB 674 in 2020. Instead, every return claiming the credit under LB 674 would require a direct conversation between the party attempting to take the new tax credit and a member of the DOI to complete. As a result, the Department will incur additional labor costs to process these returns. It is estimated that getting a temporary employee to handle the conversations to complete the 2020 tax forms when a credit under LB 674 is claimed (or to complete the work of existing staffers so that they are freed up to complete the review of the tax returns) will result in additional expense of approximately \$2000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE Personal Services:								
POSITION TITLE	NUMBER <u>21-22</u>	OF POSITIONS 22-23	2021-22 EXPENDITURES	2022-23 EXPENDITURES				
Temporary Tax Clerk	1		\$2000					

Benefits	
Operating	
Travel	
Capital outlay	
Aid	
Capital improvements	
TOTAL	\$2000

LB 674 Fiscal Note 2021

		State Agency	Estimate			
State Agency Name: Department	of Revenue]	Date Due LFA:	
Approved by: Tony Fulton		Date Prepared:	2/2/2021]	Phone: 471-5896	
	FY 2021	1-2022	FY 202	2-2023	FY 2023	3-2024
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue
General Funds		\$0		\$0		\$0
Cash Funds						
Federal Funds						
Other Funds						
Total Funds		\$0		\$0		\$0
	'					

LB 674 Section 1 amends § 77-2501 to add an additional section to the Affordable Housing Tax Credit Act (Act).

Section 2 amends § 77-2502 and adds insurance companies subject to the fire insurance premium tax in § 81-523 to the definition of Taxpayer under the Act.

Section 3 amends § 77-2503. Currently, if the owner of the qualified project is a partnership, a limited liability company, or an S Corporation, the credit under the Act can be allocated among some or all of the partners, members, or shareholders of the owner of the qualified project in any manner agreed to by such persons. LB 674 permits the owner to do so if such persons have been admitted as partners or members, or have acquired their shares, on or prior to the due date for filing the qualified taxpayer's tax return, or amended return, claiming the tax credit. Currently, the Department of Revenue (DOR) has required new members, partners, or shareholders to be admitted to the ownership group by the end of the year in which the credit is earned.

Section 4 amends § 77-2505 and provides than an insurance company subject to the tax in § 81-523 is not required to pay additional premium taxes as a result of claiming the credit under the Act. Additionally the credit may be used to offset the premium tax.

Section 5 references the changes made in Sections 2, 3, and 4 that apply to taxable years beginning or deemed to begin on or after January 1, 2020.

Section 6 harmonizes provisions in § 81-523.

It is estimated that this bill will have no impact on General Fund revenues.

It is estimated that there will be minimal costs to the DOR to implement this bill.

The operative date for this bill is three months after adjournment.

Major Objects of Expenditure								
Class Code	Classification Title	21-22 <u>FTE</u>	22-23 <u>FTE</u>	23-24 <u>FTE</u>	21-22 Expenditures	22-23 Expenditures	23-24 Expenditures	
Benefits								
Travel								
Capital Outlay								
Total								